

## **ATTACHMENT C**

### **FINANCIAL**

#### **SECTION A: BUDGET PREPARATION AND FUNDING**

##### **I. ADMINISTRATIVE REQUIREMENTS AND COST PRINCIPLES**

SBA will supply federal assistance funds for the SBDC's operation. However, in order to qualify for assistance, the applicant (Lead SBDC) and/or its network participants, must provide an additional amount (cash and in-kind match) equal to the federal dollars provided. Cash match in an amount not less than 50 percent of federal funding is required. The remainder may be indirect and/or in-kind match. No portion of the match may be from federal sources (except CDBG funds – see page B-4). Program income or fees collected from clients and/or attendees are also excluded from match. Cash match does not include indirect costs, overhead costs or in-kind contributions.

When making sub-awards, administrative costs that would be incurred for establishing technical needs, determining qualified candidates, issuing requests for bids, evaluating replies and selecting an awardee may be claimed as indirect costs according to OMB Circular A-21. The Circular allows these incremental Facilities and Administrative costs on the first \$25,000 to be claimed one time in the indirect cost base for each subcontract or sub-award. It is not appropriate to claim these costs when obtaining annual funding to continue the sub-award. These costs only may be claimed when an open, competitive bidding process was involved in issuing the sub-award that included the aforementioned administrative costs.

SBDCs submitting multi-year proposals must refer to Attachment B, Required Application Format, for specific procedures.

University-based SBDCs are governed by OMB Circular A-110 for administrative procedures and OMB Circular A-21 for cost principles. State or local government-based SBDCs are governed administratively by 13 CFR Part 143 and by OMB Circular A-87 for cost principles.

The budget proposal must also show the total cost of the program as proposed in Section B of SF-424A (rev. 7/97). Such costs include personnel, fringe benefits, travel, consultants, equipment, supplies, and contractual costs. (Refer to SF- 424A, "Budget Information-Non Construction Programs" Rev. 7/97).

Although "Program Income" is shown on the Standard Form 424, "Application for Federal Assistance," it must not be added into the "Total Estimated Funding" – 15.f. of the Standard Form 424 . "Program Income" is also shown on the Standard Form 424A – "Budget-Information – Non-Construction Programs" but it is not to be added into 6.j. Additionally, program income costs must not be included with costs totaled within the budget narrative.

For those SBDCs operating separate International Trade Centers, Procurement Centers or other specialty type centers as part of the Cooperative Agreement, the budget proposal must include a separate budget and milestone chart.

The budget proposal must include a description of the out-of-state (region) travel proposed, indicating estimated costs, number of persons traveling and purpose of travel.

All travel performed as part of this Agreement must be in accordance with SBDC program objectives and in compliance with the recipient's travel policy and governed by OMB Circular A-21, or A-87, as applicable. (Refer to Advance Understandings, page 11, for prior approval requirements governing out-of-country travel.)

## **II. PAYMENT OF DUES**

The budget proposal must also show the total amount of Cooperative Agreement funds (both federal and non-federal) the SBDC intends to allocate for payment of dues to professional associations, including the ASBDC. **All dues allocated for membership in the ASBDC and/or other professional associations must be thoroughly documented and justified and include a detailed explanation of the benefits to the SBDC program derived from this expenditure.** Where federal funds have been used to pay Association dues, the SBDC must be able to document that the expenditure was reasonable and necessary to the SBDC based upon the benefits derived. **In addition, all memberships purchased with project funds must be in the name of the recipient rather than in the name of the individual.**

## **III. LOBBYING**

There is a broad federal restriction on all grantees of the federal government, which prohibits the use of federal appropriated funds to lobby Congress or agencies concerning certain specified federal actions. [31 U.S.C. § 1352 (also known as the Byrd Amendment)] In addition, OMB cost circulars (A-122 at §25 and A-21 at §24 ) provide that lobbying activities are generally unallowable costs. Reference should be made to the OMB Circulars, which set forth the unallowable activities as well as the limited activities that are allowed.

## **IV. TREATMENT OF SERVICE CENTER COSTS**

The budget must specify which costs will be paid by federal dollars, by match dollars or in-kind/indirect match dollars. This applies to costs incurred by service centers as well as recipient costs.

The budget proposal must describe the financial resources offered by the applicant. The amount and source of funds being provided as match must be clearly indicated; i.e., state, university and private sector funds- distinguishing between cash match, indirect match and in-kind match. In-kind match contributions must be fully explained to show how their value is determined.

Should the applicant desire to propose Service Center costs throughout the budget elements (i.e., personnel, fringe, travel, equipment, co-mingled with applicant's costs), it must provide SBA with separate Service Center budgets with breakout by line item, indicating individual service center costs charged to the recipient, including indirect costs and their applicable indirect cost base and rate. Should an applicant desire to propose service costs under subcontractual costs, then SBA requires that separate Service Center budgets be provided with a breakout by line item, including the amount of federal dollars to be allocated to each Service Center, including indirect cost with applicable cost base and rate.

An additional separate spreadsheet with expenses for the entire network must be submitted to capture and summarize the total expenditures for each object class category, for the entire SBDC network. The object class categories on the spreadsheet will show the total *personnel, fringe benefits, travel, equipment, consultants, supplies, indirect cost and other* for the entire network. The contractual line item will not contain the Lead Center expenditures for Service Centers but will contain all other Lead Center contractual items and all Service Center contractual items.

## **V. JUSTIFICATION OF COSTS**

All costs proposed require justification and narrative explanation for the Lead Center and each Service Center. Applicants must furnish their current indirect cost rate agreement as negotiated with their cognizant federal agency or other rate calculation approved by SBA, as well as those agreements for participating service centers. **The negotiated rate in effect at the time of the initial award should be used throughout the approved award period.** Indirect costs cannot be claimed for the Lead Center or Service Centers that do not furnish approved cost rate agreements **applicable to the proposed funding period.**

Costs may not exceed the approved rates furnished with the proposal. Indirect costs claimed should not exceed the amount presented on the Notice of Award without prior written approval of the SBA Grants Management Specialist.

**VI. MISCELLANEOUS OR CONTINGENCY COSTS**

No miscellaneous or contingency costs may be included in the budget. Contributions to a contingency reserve or any similar provision made for events, the occurrence of which cannot be foretold are unallowable. All costs proposed must be included in the specific line items and fully justified.

All forms contained in the financial application package must be completed accurately and in full.

**VII. SUBCONTRACTING**

All subcontracting awarded as a result of this Agreement will be in accordance with OMB Circular A-110, Subpart C - Post Award Requirements, Procurement Standards and 13 CFR 143.36 and 13 CFR 143.37.

**VIII. PROPOSAL COST**

This request does not commit the Government to pay any costs incurred in the submission of a proposal.

## **SECTION B: FINANCIAL GUIDELINES**

### **I. CARRYOVER REQUESTS**

The SBDC State/Region Director may request approval to carry over an unexpended balance of federal funds to the next budget period only. Carryover of unexpended funds is permissible only if the funds are to be used for a project or activity within the scope of the SBDC program and the request is in the best interest of the SBA.

Carryover requests must consist of the following: (1) SF-424, budget pages, and justification; (2) narrative indicating why the funds were not expended during the period in which they were awarded; (3) SBA District Office approval; and (4) evidence of match.

The match requirement for carryover funds can be met by using overmatch from the current budget year, an increase in funds pledged by the SBDC or overmatch from the year funds were carried over from or a combination of both.

A carryover request must be made at the time of submission of the final SF-269 (no later than 90 days after the end of the budget period) or the de-obligation process will begin. Approved carryover requests require the issuance of a revised Notice of Award. The Lead Center must document that carryover funds are spent to support the activities outlined in the carryover request. Expenditures for the carryover requests must be accounted for separately from current year funds. All financial reports, pay requests and other correspondence relating to the carryover funds must reference the federal document number assigned to the funds carried forward. Those states which desire to carryover funds that they have transferred under the ten percent rule, (Notice of Award, Prior Approval, item 4c), must obtain approval from the OSBDC prior to year end.

### **II. USE OF PROGRAM INCOME**

SBDCs must expend any program income which exceeds 25 percent of the SBDC's total budget (SBA federal funds and matching funds) by year end. Any remaining program income may be carried over to subsequent budget periods to be utilized to further program objectives. SBDC Program recipients are responsible for establishing a separately identifiable program income account to facilitate financial reporting. All program income must be reported on SBA Form 2113 (Program Income Report). The SBDC will include as an attachment to the SF-269 the SBA Form 2113 and a narrative description of how program income was used to further eligible program objectives.

### **III. CASH MATCH REQUIREMENT**

Each SBDC applicant must ensure that no less than fifty percent of the required contribution will be in cash. This cash outlay must not include indirect costs, in-kind contributions, or program income derived from activities supported in whole or in part with federal or match funds. Direct cash match committed by the applicant organization or Service Center (i.e. personnel services, fringe benefits, consultants) may be included in the cash match only to the extent that these costs were committed as part of the specific direct line item costs verified by the Certifying Representative prior to funding.

Further, the cash match shall not include: (1) funds contributed from other federal sources [see exception below]; (2) program income or fees collected from recipients of assistance, whether collected by the Lead SBDC, Service Centers or any other participants in the SBDC network; or (3) amounts committed by the applicant organization for unidentified and/or contingent costs in the budget proposal.

There is one exception to not allowing federal funds as cash match. Community Development Block Grant (CDBG) funds received from the Department of Housing and Urban Development are allowed

when: (1) the SBDC activities are consistent with the authorized CDBG activities for which the funds were granted; and (2) the CDBG activities are identified in the Consolidated Plan of the CDBG grantee or in the agreement between the CDBG grantee and the subrecipient of the funds.

The cash match must be committed up front and identified by source, amount, and account number in the SBDC budget proposal. In addition, the contributors, requirements, specifications or deliverables must be clearly identified in the proposal. The cash match account (as well as SBA federal funds) allocated to the SBDC program, must be under the direct management of the SBDC State/Region or Service Center Director. However, SBDC organizations are not required to establish separate bank accounts solely for SBDC purposes. The availability of this cash contribution for SBDC program operations must be certified by the official from the applicant organization who signs the Federal Assistance Form (SF-424).

If the state is providing part of the cash match, the Certifying Representative must verify that these funds have been appropriated prior to award of the Cooperative Agreement. However, in situations where state appropriation cycles prohibit total compliance prior to award of the Cooperative Agreement, the Certifying Representative shall verify that sufficient upfront cash match will be available from the state or other sources, prior to any withdrawal of federal funds.

#### **IV. SBA REQUIREMENT FOR ALLOCATION OF FEDERAL FUNDS**

SBA requires that at least 80 percent of federal dollars provided through the Cooperative Agreement must be allocated to the direct costs of the program.

## **SECTION C: FINANCIAL DEFINITIONS**

### **I. BUDGET PERIOD**

The 12-month period in which expenditure obligations are incurred by an SBDC network, coinciding with either the calendar year or the federal fiscal year.

### **II. CONTRIBUTIONS/DONATIONS**

Funds received by the SBDC with no conditions and may be used as match or overmatch in the year expended. Federal funds or amounts reported as match may not be used as contributions to others.

### **III. PROGRAM FUNDS**

Includes all SBA/SBDC federal funds and all matching and overmatch expenditures reported on the SF-269 (includes non cash). It does not include other funds under the SBDC umbrella.

### **IV. PROGRAM INCOME**

The definition for program income is contained in the SBDC Notice of Award and applies to all SBDC Lead Centers and Service Centers whether academic or state-based. In the SBDC program, the term “recipient” is an applicant organization for which funding is approved and which enters into a Cooperative Agreement with SBA. The recipient organization receives the federal funds and is responsible for establishing the Lead Center.

## **SECTION D: FINANCIAL REPORTING REQUIREMENTS**

All SBDC recipients and their Service Centers will be required to maintain complete and accurate records and supporting documentation to facilitate a thorough financial audit. Financial records shall adequately identify the source and application of funds and provide for the comparison of actual expenditures to budgeted amounts by cost category.

### **I. REPORTING INSTRUCTIONS**

The SBDC should submit an original and two copies of the SF-272 and three original copies of the SF-269 signed by the authorized representative to the SBA Project Officer within 30 days after the end of the first six month budget period. The second financial report of this semi-annual period will serve as the final and is due to the SBA Project Officer no later than 90 days after the end of each budget period. (**Note:** SBA Project Officers are required to review the SF-269 for conformance with the SBDC's programmatic requirements. The Project Officer must sign and date the SF-269 after the review.) In addition, the SBDC must insure that a schedule of indirect costs and a spreadsheet to support costs reflected on the Financial Status Report is submitted as an attachment to the SF-269.

SBDCs have the option of electronically submitting the financial forms as an attachment to an e-mail. If this option is chosen, the SBDC State/Region Director should review the forms and submit them simultaneously to his/her SBA Project Officer and OSBDC Grants Management Specialist.

SBDCs will be funded annually as soon as the Congress appropriates the funds and they are allotted for the program. SBDCs must use OMB Standard Form 270 to draw down funds required to meet their estimated or actual expenses. This is used by SBA to monitor the amount of draw downs and the cash on-hand balance.

SBDCs can request funds against these allotments as frequently as necessary during the fiscal year, but no later than 90 days after the end of the budget period after closeout procedures under OMB Circular No. A-110 or Part 143 of SBA's regulations at which time the account will be closed. SBDCs should take steps to make sure that these drawdowns are only made to meet estimated or actual disbursement needs. Drawdown requests must specifically set forth the Cooperative Agreement number and budget code. Recipient organizations cannot maintain large federal cash balances on which they earn interest.

All program income, as defined in the Cooperative Agreement, must be reported on SBA Form 2113. The report must contain the program income balance at the beginning of the year; all program income earned during the year; the source of program income; all program income expended during the year; the expense category; program income balance at the end of the year; and a narrative description of how the program income was used.

When SBDC operations are discontinued, a final close-out report is due no later than 90 days after termination of the Cooperative Agreement. Funds remaining unobligated and unexpended in an SBDC's budget for a particular grant year at the end of relevant close-out procedures will be deobligated by SBA for other SBDC purposes.

### **II. RECORDKEEPING INSTRUCTIONS**

An SBDC must maintain the documentation for year-end Standard Forms 269 and 272 financial reports as required by OMB Circulars and SBA Regulations. **SBDC Lead Centers and Service Centers which manage other non-SBDC funds (i.e. not included in the proposal or SBA Cooperative Agreement) must maintain separate ledgers and transaction journals for the SBDC financial activity to ensure a clear audit trail of the financial resources used under the SBDC Cooperative Agreement as required by OMB**

Circular A-110 and CFR § 143.20. SBDC expenditures of federal, matching and program income must be accounted for separately from other Center resources. In addition, funds must be identifiable to the program year for which they were provided. Funds that were approved as a “carryover” from a previous program year also must be maintained and reported separately. SBDCs must maintain support documents for SBA Form 2113 and SF-269s. This support should consist of at a minimum:

1. A spreadsheet which acts as a reconciliation between the SF-269 and the disbursement journals at the Lead Center and Service Center(s) (This applies to Lead Center **only**.)
2. Support for all charges to the Cooperative Agreement, but not limited to the disbursement ledger, vendor invoices, canceled checks and journal entries
3. The expense reimbursement invoices submitted from the service centers and any related supporting documentation ( i.e., disbursement ledgers, comparison of actual to budgeted expenditures) (This applies to Lead Center **only**.)
4. Any agreement(s) related to matching costs
5. Support for in-kind costs (Contributions must be documented showing the name of donor, phone number, signature of donor, date of donation, justification of the value of goods or services {hours with labor rate of services} and narrative description of service provided or item donated)
6. Support for program income receipts and expenditures including receipt and disbursement journals
7. Salary and wage records for SBDC employees charged to the Cooperative Agreement (Both recipients and subrecipients must maintain the appropriate standard {Circular A-21, OMB Circular A-122, or OMB Circular A-87} to document costs for full-time and part-time personnel allocated to the program. This may include, but is not limited to the following: Time and Effort Certification, appointment letters or contracts, performance reviews, payroll journals and/or activity reports. The records should be incorporated into the official records of the institution.)